

Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: April 19, 2010

SUBJECT: Fiscal Impact Statement – “Healthy Schools Act of 2010”

REFERENCE: Bill 18-564

Conclusion

Funds are not sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The cost of implementing the proposed legislation is estimated at \$6.1 million in FY 2011 and \$23.4 million for the FY 2011 through FY 2014 financial plan period. Some provisions will not be fully implemented until after FY 2015, and the proposed legislation will continue to have additional cost implications beyond the financial plan.

	FY2011	FY2012	FY2013	FY2014	Four Year Total*
Titles I and II - School Nutrition ¹	\$4,687	\$4,379	\$4,379	\$4,379	\$17,824
Title III - Farm-to-School Program ¹	\$712	\$712	\$712	\$712	\$2,847
Section IV – Physical and Health Education ¹	NA	NA	NA	NA	\$0
Title IV – Environment	\$617	\$589	\$590	\$592	\$2,386
Title VI – Health and Wellness	\$83	\$83	\$83	\$83	\$332
Title VII – Healthy Youth and Schools Commission	NA	NA	NA	NA	\$0
TOTAL COSTS of B18-564*	\$6,099	\$5,761	\$5,764	\$5,766	\$23,390

* Totals might not add up due to rounding

¹ Excludes some costs that cannot be estimated at this time.

Details may not add to totals due to rounding.

This estimate excludes various cost components, specifically resources that might be required to implement the reimbursement mechanism from Office of the State Superintendent of Education (OSSE) to Local Education Agencies (LEAs). Additionally, some provisions, specifically related to physical education facilities, indoor air quality, and a central kitchen facility will require additional capital investments that are not currently incorporated into District's capital expenditure plan or the Master Facilities Plan.

Background

In five titles, the Healthy Schools Act of 2010 proposes fundamental changes to public school food service and nutrition programs, physical education curriculum, health and wellness programs and services, and the environmental programs at schools. The proposed legislation would establish local nutritional standards for school meals and other food sold on school campuses, create monetary incentives for schools to meet nutritional and food quality standards, set health and physical education standards, create the office on school gardens at OSSE and on environmental programs at OPEFM, and establish the Healthy Youth and Schools Commission.

Title I – Definitions; Establishment of the Healthy Schools Fund

- Establishes a special purpose, non-lapsing revenue fund called the “Healthy Schools Fund” that would be solely used to fund the reimbursements and grant programs to schools established by the legislation.
 - Provide a \$7.00 per student reimbursement to cover the start-up costs of the breakfast in the classroom program;
 - No charge for students eligible for reduce-priced meals;
 - A 10 cent per breakfast and 10 cent per lunch reimbursement to schools when meals meet the nutritional requirements of the HealthierUS School Challenge Gold Award level and other nutritional standards outlined in the proposed legislation;
 - Establish a 5 cent per lunch served incentive when at least one serving of fruits or vegetables is locally grown and unprocessed; and
 - Increase these aforementioned funding levels by rulemaking.
 - When funds are available, the fund would also be used to make grants to public schools and charter schools to increase student physical activity and support school gardens.

Title II – School Nutrition

- Requires DCPS and all charter schools to meet the serving requirements of the USDA's HealthierUS School Challenge program at the Gold Award Level for vegetables, fruits, whole grains, milk, and other foods served in school meals. The HealthierUS School Challenge at the Gold Award level requires serving a different vegetable & fruit served every day of the week, fruit must be served fresh two days per week, only low-fat/fat-free milk, and whole-grains for school lunches. These federal standards currently don't apply to breakfast.

- Require DCPS and public charter schools to serve free breakfast to all students every day. In elementary schools where more than 40 percent of students qualify for free or reduced-price meals, breakfast must be offered in the classroom. In middle and high schools where more than 40 percent of students qualify for free or reduced-price meals, breakfast must be offered using alternative serving models.
- DCPS and public charter schools would no longer charge students for meals if they meet the qualifications for reduced-price meals.
- Requires the Department of Real Estate Services to partner with DCPS to identify real property for a central kitchen facility and OPEFM would convert the property into a central kitchen facility.
- All vending, a la carte, and other food sales on school property must meet HealthierUS School Challenge guidelines. Exemptions are made for food provided by parents (at no cost), food sold to faculty and staff, food sold or provided at after-school events, and in schools where the number of students are greater than 16 years old.
- The Office of the State Superintendent of Education (OSSE) is charged with overseeing compliance with the food standards and may impose a penalty not to exceed \$500 per day on public schools and public charter schools that don't meet the nutrition standards.

Title III – Farm-to-School Program

- Establish a 5 cent per lunch served incentive when at least one serving of fruits or vegetables is locally grown and unprocessed
- OSSE will oversee the program, conduct one event per year to promote farm to school programs, and report to Council on the farm-to-school initiatives.

Title IV – Physical and Health Education

- Establish a goal for DCPS and Charter School students of 60 minutes per day for physical activity. In addition, the proposed legislation sets standards for physical education. Starting in school year 2010 - 2011, students in K-5 grades will be required to spend 30 minutes per week and by school year 2014 - 2015 with 150 minutes per week in physical education. For students in grades 6-8, starting in school year 2010 - 2011 they will be required to spend 45 minutes per week and by school year 2014 - 2015 with 225 minutes per week in physical education.
- Establish health education standards that students in Kindergarten through Grade 8 must receive 15 minutes of health education each week in the school year 2010-2011 and by school year 2014-2015, at least 75 minutes of health education per week.
- Require the Department of Parks and Recreation to treat public schools and public charter schools equally when providing access to its facilities.
- Authorize OSSE to provide grants to public schools and public charter schools for increasing physical activity at schools, subject to appropriation of funds.

Title V – Environment

- Office of Public Education Facilities Modernization (OPEFM) would establish an environmental programs office to oversee a recycling program, test drinking water for lead and post the results, promote EPA Indoor Air Quality Tools for Schools Program, and develop a plan to measure and reduce energy consumption by August 1, 2015 by 20 percent.

- DCPS must use environmentally friendly cleaning supplies and develop a plan by December 31, 2010 to use sustainable products in serving meals to students.
- Schools “shall aspire to” meet LEED Gold certification.
- Establish a School Gardens Program at OSSE with a report due to Council and Mayor by September 2011. Produce grown may be served to students or sold for profit.

Title VI – Health and Wellness

- Require each local education agency to have a comprehensive local wellness policy to be revised every 3 years. In addition to existing federal requirements, the policy would include goals for improving environmental sustainability, increasing the use of locally grown and processed foods, and increasing physical activity. OSSE will review each local wellness policy and hold schools accountable.
- OSSE would create and collect information on a healthy schools profile form from all DCPS and Charter Schools. It would contain information on school’s health programs, nutrition programs, student physical activity, and wellness policy. By January 15 of each year, each public school and public charter school must complete the form, make the form available to students, and submit it to OSSE.
- The Department of Health (DOH) would collaborate with the Department of Healthcare Finance, DCPS, OPEFM, and the Public Charter School Board to develop a plan to build wellness centers in every DCPS comprehensive high school by December 15, 2015.
- Require each student at public, public charter, private, or independent schools in the District to annually submit a certificate of health completed and signed by a physician. The certificate should include language on body mass index, health insurance programs, and school nurse contact information.
- No public or private gasoline/diesel powered vehicle would be allowed the engine to idle for more than 3 minutes near school buildings.

Title VII – Healthy Youth and Schools Commission

- Establishes a Healthy Youth and Schools Commission to advise the Council and Mayor on health, wellness, and nutritional issues. Each September, the Commission would submit a comprehensive report on health, wellness, and nutrition of students and schools in the District to Council and the Mayor.
- OSSE would provide administrative and technical support to the commission as necessary. Currently, there is a Mayor’s Commission on Food and Nutrition that’s set to expire. This new commission will replace it.

Financial Plan Impact

Funds are not sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The cost of implementing the proposed legislation is estimated at \$6.1 million in FY 2011 and \$23.4 million for the FY 2011 through FY 2014 financial plan period. Some provisions will not be fully implemented until after FY 2015, and the proposed legislation will continue to have additional cost implications beyond the financial plan.

This estimate excludes various cost components, specifically resources that might be required to implement the reimbursement mechanism from Office of the State Superintendent of Education

(OSSE) to Local Education Agencies (LEAs). Additionally, some provisions, specifically related to physical education facilities, indoor air quality, and a central kitchen facility will require additional capital investments that are not currently incorporated into District's capital expenditure plan or the Master Facilities Plan.

What follows is a title-by-title discussion of the estimated costs.

Title I – Definitions; Establishment of Healthy Schools Fund and Title II - School Nutrition

This title establishes the Healthy Schools fund, a non-lapsing fund that would be used solely to reimburse schools that meet the requirements in the bill on school nutrition, the farm-to-school program, and serving breakfast in the classroom. In addition, funds may be used to make grants available to schools so that they can meet the physical education requirements and support efforts to create school gardens. Title II sets the nutritional standards at schools. These two titles, combined have four provisions that have fiscal implications that can be estimated at this time:

- *Reimbursements For HealthierUS School Challenge, Gold Award Level*
OSSE will provide a 10¢ reimbursement per breakfast and lunch when meals meet these standards.¹ The estimated cost of this reimbursement could be up to \$1.4 million for DCPS and \$927,000 for charter schools for a total of \$2.4 million in FY 2011, and \$9.4 million in the four-year financial plan period. In addition, OSSE would be required to hire 3 FTEs at an annual cost of \$248,000 starting in FY2011, or \$994,000 over the four year financial plan to oversee implementation including monthly visits to schools, and issue fines for schools that do not comply with the guidelines despite receiving subsidies.
- *No Charge For Students Qualifying For Reduced-Price Lunch*
The proposed legislation would require that no public schools student who qualifies for reduced price meals be charged for these meals. In return, schools will receive a reimbursement from OSSE to cover this foregone revenue. The National School Lunch Program currently allows schools to charge reduced-price lunch students up to 40¢ for lunch. Based on the proposed legislation, the total amount of reimbursements to public schools is estimated to be \$387,000 in FY 2011, and approximately \$1.5 million over the FY 2011 through FY 2014 financial plan period.
- *Free Breakfast For All Students*
DCPS currently provides free breakfast to all of its students and therefore would not require additional funds to implement this provision.² One third of charter schools serve their students free breakfast. Providing free breakfast to the rest of charter school students would require charter schools to spend up to approximately \$1.3 million in FY 2011 and \$5.0 million in the four year financial plan period.
- *Breakfast Outside Cafeterias*

¹ HealthierUS School Challenge Program guidelines only apply to lunch. As drafted, schools would automatically qualify for breakfast reimbursements so long as their lunches meet these guidelines.

² The uptake rate at DCPS is very low. Should that rate increase DCPS might require additional funds.

Currently, except for a small pilot program, DCPS does not serve breakfast outside cafeterias and very few do across the charter schools. The cost associated with this requirement is an initial investment for equipment including carts, coolers, recycling containers or trash bins, serving boxes, and storage space, as well as creating marketing/promotional materials for students and their families. The proposed legislation will provide a \$7 per student in FY2011 to cover the start up costs of the program which would be approximately \$259,903 for DCPS and \$174,692 for public charter schools in FY 2011.

Table 2 – Estimated Cost of implementing Titles I and II– Healthy Schools Fund and School Nutrition (in thousands of dollars)					
	FY2011	FY2012	FY2013	FY2014	Four-Year Total
OSSE					
Reimbursements to meeting HealthierUS Gold Award Level Standards ^a					
<i>to DCPS</i>	\$1,430	\$1,430	\$1,430	\$1,430	\$5,719
<i>to Charter Schools</i>	\$927	\$927	\$927	\$927	\$3,707
Total	\$2,356	\$2,356	\$2,356	\$2,356	\$9,425
Reimbursements to summer meal program meeting HealthierUS Gold Award Level Standards ^a					
<i>to Vendors</i>	\$0	\$126	\$126	\$126	\$379
Total	\$0	\$126	\$126	\$126	\$379
Reimbursements for eliminating the charge for reduced-price students ^b					
<i>to DCPS</i>	\$180	\$180	\$180	\$180	\$720
<i>to Charter Schools</i>	\$207	\$207	\$207	\$207	\$828
Total	\$387	\$387	\$387	\$387	\$1,548
Reimbursements for start up costs of serving breakfast outside of cafeterias ^d					
<i>to DCPS</i>	\$260	\$0	\$0	\$0	\$260
<i>to Charter Schools</i>	\$175	\$0	\$0	\$0	\$175
Total	\$435	\$0	\$0	\$0	\$435
Reimbursements for free breakfast for all students ^e					
<i>to DCPS</i>	\$0	\$0	\$0	\$0	\$0
<i>to Charter Schools</i>	\$1,261	\$1,261	\$1,261	\$1,261	\$5,045
Total	\$1,261	\$1,261	\$1,261	\$1,261	\$5,045
Oversee Implementation and Issue Fines ^c	\$248	\$248	\$248	\$248	\$994
TOTAL COST OF TITLES I & II*	\$4,688	\$4,379	\$4,379	\$4,379	\$17,825

TABLE NOTES

* Totals might not add up due to rounding

^a The estimate uses 10 cents per breakfast and 10 cents per breakfast reimbursement when lunches meet standards established by USDA HealthierUS School Challenge Gold Award Standard. There are no applicable standards for breakfast. The estimate assumes 90 percent student participation at DCPS and 100 percent student participation at the charter schools. The summer program estimate is based on the number of meals served in the program.

^b This would reimburse DCPS and charter schools the student co-pay of 40 cents per lunch served for students that qualify for reduced price meals. The estimate assumes a 90 percent student participation rate at DCPS and a 100 percent student participation rate at the charter schools.

^c 3 FTEs hired at Grade 12, Step 5 with benefits.

^d Breakfast at DCPS is free for all students but primarily served in cafeterias. Currently, DCPS is experimenting with breakfast in the classroom through a small pilot program. The start-up costs to implement breakfast in the classroom (elementary schools) and other alternative serving models (middle/high schools) includes purchasing breakfast carry carts, coolers, recycling containers or trash bins, serving boxes, and storage space, as well as creating marketing/promotional materials for students and their families. The reimbursement rate is \$7 per student and the estimate assumes a 100% participation rate at DCPS and the charter schools.

^e One third of public charter schools currently serve breakfast free to all students. This calculation estimates the cost to provide free breakfast to the remaining charter school students who do not qualify for free or reduced priced lunches based on the OSSE School Breakfast Program. This estimate is net of the maximum USDA federal reimbursements (\$1.74) and the full paid student reimbursement (\$0.26) for breakfast and assumes a 100 percent participation rate.

Other Costs That Could Not Be Estimated At This Time

- Mechanism for flow of funds from OSSE to LEAs
It is important to note that Title I establishes the Healthy Schools Fund but does not identify a revenue source for the fund. Money from the fund would flow from OSSE to DCPS and public charter schools should these schools meet certain requirements. While the current flow of federal funds associated reimbursements related to school lunch programs already go through OSSE, additional funds might be required to support the necessary reporting system that would allow OSSE monitor meals served in order to determine the local reimbursement amounts.
- Central Kitchen Facility
Title II also requires that OPEFM and DRES to partner with DCPS to identify and convert property owned by the District into a central kitchen facility. Once implemented, this provision will have a cost, but since it does not have a timeline or impose a mandate on these institutions over the financial plan period, we exclude it from our estimates. At the time such a facility is identified, costs associated with leasing or purchasing it or capital investment required to equip, operate, and manage the facility must be identified in the District's budget.

Title III – Farm-to-School Program

This title establishes a 5¢ per lunch meal served incentive (administered by OSSE) to support food service providers that use locally grown, locally-process, and unprocessed fruits and vegetables in school lunches. The reimbursement, if fully taken advantage of, is estimated to cost \$620,000 in FY 2011 and \$2.5 million during the 4 year financial plan period.

Additionally, OSSE will detail one FTE to the administration of and reporting on the Farm-to-School program, at a cost of \$83,000 per year. Thus the total cost of this title is expected to be \$712,000 in FY 2011 and \$2.9 million in the four-year financial plan period.

Similar to the local reimbursements established in Title II, depending on the implementation mechanism, additional funding might be required to establish the necessary reporting components that would allow OSSE to calculate the reimbursements authorized under this title.

Table 3 - Estimated Cost of Title III Farm-to-school program (in thousands of dollars)					
	FY2011	FY2012	FY2013	FY2014	Four Year Total
OSSE					
5 Cent per Lunch Reimbursement ^a					
<i>to DCPS*</i>	\$397	\$397	\$397	\$397	\$1,589
<i>to Charters*</i>	\$232	\$232	\$232	\$232	\$927
TOTAL	\$620	\$620	\$620	\$620	\$2,479
Administration and Reporting ^b	\$83	\$83	\$83	\$83	\$332
TOTAL COST OF TITLE III	\$712	\$712	\$712	\$712	\$2,847

^aNumbers may not add up due to rounding

^a Estimate is based on all lunch meals meeting this requirement with 100 percent student participation.

^b 1 FTE hired at Grade 12, Step 5 with fringe benefits.

Title IV – Childhood Obesity and Physical Education

To meet the proposed physical education requirements, facilities must be available to every public and public charter school throughout the entire academic year. Currently not all schools have access to facilities. While access to DPR facilities may partly alleviate this problem, this access is not guaranteed or may not be convenient for all schools. Even when available and convenient, some DPR facilities such as parks and fields will not be suitable during the winter months. In order to provide all public and public charter schools with physical education facilities dedicated to students, the five-year capital expenditure plan and the Master Facilities Plan must be changed to give priority to building such facilities.

Title IV – Environment

This title requires OPEFM to establish an environmental program office to oversee a recycling and integrated pest management program, develop a plan to measure and reduce energy consumption, test drinking water for lead and publish the results online, and promote EPA Indoor Air Quality Tools for Schools Program. It would require 4 FTEs to implement an environmental program office.

Currently, OPEFM has a pest management contract that follows Integrated Pest Management principles and tests schools' drinking water for lead every three years. Publishing the lead testing results online can be done with its existing resources. OPEFM oversees a recycling program for 59 DCPS sites at a cost of \$80,000. To begin a recycling program at the remaining 64 DCPS facilities, start-up costs are about \$55,000 and the annual recycling costs are about \$92,000. Extending the existing recycling program to the rest of the 64 DCPS facilities would require budgeting of \$123,000 in FY 2011, and \$398,000 in the FY 2011 through FY 2014 financial plan period. Finally, promoting the EPA's Indoor Air Quality Tools for Schools program would require training for teachers or school administrators and possible capital infrastructure investment for air cooling and heating systems, amounts of which are unknown at this time.

In addition, DCPS would be required to use environmentally friendly cleaning supplies. In FY 2009, DCPS, front office and schools combined, spent \$1.3 million on cleaning products.

Schools do their own purchasing of cleaning supplies and it is not clear at this time how many already buy green products.

Lastly, this title would establish a School Gardens Program at OSSE and would require OSSE to submit a report on program to Council and Mayor by September 2011. OSSE will require one FTE to work on this program at a cost of \$83,000 in FY 2011 and \$332,000 over the financial plan period.

Table 4 - Estimated Cost of Title V – Environment (in thousands of dollars)					
	FY2011	FY2012	FY2013	FY2014	Four-Year Total
OPEFM					
Environmental program office ^a	\$411	\$413	\$415	\$417	\$1,656
Extend recycling program to all schools	\$123	\$92	\$92	\$92	\$398
OSSE					
School Gardens Program	\$83	\$83	\$83	\$83	\$332
TOTAL COST OF TITLE V*	\$617	\$589	\$590	\$592	\$2,386

* Totals might not add up due to rounding.

^a 4 FTE's at grade CS 13, step 5 with fringe benefits.

Title VI – Health and Wellness

The local wellness policies would be under OSSE's responsibility and be revised every three years. OSSE will require one FTE to review this wellness plan and monitor their implementation. The estimated impact of this provision is \$83,000 in FY 2011 and \$332,000 in the FY 2011 through FY 2014 financial plan period.³

This title also requires that students at DCPS and public charter schools annually submit a certificate of health completed and signed by a physician. A previously published OCFO analysis⁴ found that DOH can absorb the costs of this requirement in its FY 2010 budget.

Title VII – Healthy Youth and Schools Commission

OSSE would provide administrative and technical support to the Healthy Youth and Schools Commission as necessary. Currently, there is a Mayor's Commission on Food and Nutrition, and its enabling statute is set to expire. This new commission will replace it, so no additional funding is necessary to support this title.

³ This is the salary and fringe benefits of one FTE hired at grade 12, step 5.

⁴ Fiscal Impact Statement on Bill 18-006, "Student Health Care Amendment Act of 2009" is available online and upon request from OCFO.